

FOR IMMEDIATE RELEASE
FEBRUARY 3, 2003

CONTACT: GLENN BRIERE
(617) 727-6200, EXT. 123

**DeNUCCI SAYS PROVIDER CONCEALS OVER \$1M
IN INCOME USED FOR PERSONAL EXPENSES**

State Auditor Joe DeNucci reported today that Community Group Inc. (CGI), a for-profit agency that provides services to developmentally disabled individuals throughout eastern Massachusetts, failed to report to the state more than \$1.1 million in income from a state-funded training program for its clients.

According to DeNucci's audit, had the state Department of Mental Retardation (DMR) known of this revenue, it could have recovered all or a portion of it to defray the state's cost of running the program under DMR's contract with CGI, thus freeing up state funds to serve additional disabled clients. Instead, CGI's executive director used the revenue for such personal expenses as business ventures, a car lease, country club dues and restaurant charges.

DeNucci's audit stated that the undisclosed commercial income was generated by the sale of products made by clients working at below minimum wage at workshops operated by CGI. These products, which included screw packets, bird feeders and sewing kits, were sold by the vendor to private businesses. The state paid an average \$400,000 annually for the facilities and staff of this program through DMR's contracts with the provider. The total amount of the state contracts for all CGI programs ranged from \$3.6 million to \$4.4 million annually during the audit period.

Some of the personal expenses for which the executive director used the income were \$210,027 in loan payments related to private business activities; \$74,370 in lease costs for a Mercedes Benz, \$103,920 for dues, restaurant charges and other expenses at a country club, and \$80,993 in personal landscaping fees.

DeNucci's audit also reported that CGI failed to disclose to the state at least three other related-party transactions involving hundreds of thousands of dollars.

-more-

In other findings, DeNucci's audit reported that:

- In addition to the commercial income kept under the training program, CGI, during the audit period, retained \$463,058 in profits from other state-funded programs in excess of what was allowed under its contracts with the state.
- CGI billed and received \$221,426 in duplicate payments against its state contracts for administrative costs, and charged another \$43,482 in expenses that it could not document were actually incurred.
- CGI charged the state \$75,000 for management consulting services purportedly provided by CGI's executive director on behalf of the provider's parent company, First Community Inc. (FCI), also owned by the executive director. CGI could not document that these services were actually provided or how they related to CGI's state-funded programs.
- Inadequate controls over the use of corporate credit cards resulted in \$75,197 in unallowable credit card charges by members of CGI's administrative staff.

Last October, DMR decided to terminate its contracts with CGI effective Dec. 21, 2002. DMR also notified DeNucci's office that it was referring the matter to the Attorney General's office. In addition, CGI's executive director resigned his position last September and terminated his services with company in October.

DMR fully cooperated with the audit and, in response to DeNucci's recommendations, indicated it will aggressively seek to recover all public money that was spent inappropriately by CGI. In addition to referring his report to the Attorney General's office, DeNucci said he is referring it to the U.S. Department of Labor and the state Department of Labor and Workforce Development for possible violations of minimum wage laws involving the work done at CGI.

"In these difficult times, when budget cuts are jeopardizing essential services to people who need them, it's important that the Commonwealth not allow conditions like this to exist," concluded DeNucci. "I have urged DMR to attempt to recover as much of this money as it can, and I commend them for their cooperation."